

**Access to Microfinance & Improved Implementation of Policy Reform
(AMIR Program)**

Funded By U.S. Agency for International Development

DIRECTIVES FOR LISTINGS ON AMMAN STOCK EXCHANGE

Final Report

**Deliverable for Capital Markets Component, Task No. 5.3.3
Contract No. 278-C-00-98-00029-00**

July 2, 2000

This report was prepared by Russell Diehl, in collaboration with Chemonics International Inc., prime contractor to the U.S. Agency for International Development for the AMIR Program in Jordan.

The original Instructions for Listing and Suspension of Trading in Shares of Public Shareholding Companies (appendix III) was published in Accordance with Article (26) of the Securities Law No.23 of 1997.

This version of the ASE Listing Rules and Regulations called for a ‘Regular’ market and a ‘Parallel’ Market to distinguish certain categories of securities. These rules served the ASE/AFM well providing sure and orderly procedures for Listing, Delisting, and the Suspension of securities on the Exchange.

In an effort to update these general Rules and Regulations the ASE endeavored to restructure and draft new Directives for Listing Securities on the ASE in the Fall of 1999.

This December 1999 Directives Draft, known as “Directives for Listing Securities on the Amman Securities Exchange/Securities Market”, (appendix II) which was reviewed in May 2000 by the AMIR Program consultant, described the Market with three tiers, the Primary the Secondary and the Tertiary Markets. Each tier had considerable and extensive economic requirements for qualification. Along with these economic standards Article 4 called for certain information disclosure procedures by the listing company to the ASE. The suggested disclosures were of international best practice standard and were a distinct upgrade from the 1997 Instructions for Listing.

Nevertheless, the considerable list of economic and investment quality criteria required in the December 1999 Directives Draft placed this version in jeopardy of misuse by the Market and disuse by the ASE. It was recommended that investment and economic criteria elements be eliminated (at least significantly reduced) with the thrust of the argument being that the ASE was not in the investment advisory business but rather in the information dissemination business. The ASE provided a trading and ‘Price Discovery’ facility, not an investment performance matrix.

The June 2000 Directives Draft, known as ‘Directives for Listing Securities on the Amman Stock Exchange /Securities Market for the year 2000’, (appendix I) reflects the incorporation of the need for more user friendly rules and Exchange compatible regulations.

In the June 2000 Directives Draft a First, Second and Third Market are established with the Third Market providing trading of unlisted securities of Public Shareholding Companies on the ASE through sponsoring Brokers. The First and Second Market are listed securities categories which require modest economic thresholds, but substantial disclosure, to both the ASE and the Jordan Securities Commission concurrently. Substantially all the economic and investment criteria’s were eliminated or satisfactorily toned down.

The First and Second Markets are, for the moment, continuous pricing markets with the Third market a fixed price market occurring at 10 AM every trading day.

Two issues should be noted in the June 2000 Directive Draft:

- 1) Article 12, outlines the requirements for *investment funds* to list on the ASE. This Article is derived from The Securities Law No. (23) Chapter 6, Article 44, thereof. It may be useful for the Exchange management to monitor the unfolding law and regulations as it applies to “Mutual Funds” as Articles 12 will need to mirror the final determinations of what is a mutual fund in Jordan. Actually the Companies Act Law which clearly states the conditions of a Mutual Fund as a Public Shareholding company will allow such companies to organize and trade on the Third Market, a useful if unintended consequence of the ASE attempt to interpret the Securities Law sections on Investment Funds.
- 2) Article 23, allows the Board of Directors of the Exchange to list shares directly on the First or Second Markets, by its fiat. This is meant for Government privatizing companies but Article 23 also allows for *any* Limited Liability and *any* Limited Partnerships that convert to Public Shareholding Companies to have BOD fiat privileges. A clarification may be in order. Is Article 23 meant for Government Owned companies exclusively or for all companies regardless of sectors?

In general, the June 2000 Directives Draft seems to work well. The June 2000 Directives are far more concise and have definitive clarity compared to any previous version. In short, they are an excellent beginning for a developing and dynamic document.

The 1997 Listing Instructions, the December 1999 Listing draft, and the June 2000 Listing draft in full version are attached as appendices for review and comparison.

Attachments:

Appendix I

Appendix II

Appendix III